

April 5, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Re: **FRB Docket No. OP-1246**; Proposed Interagency Guidance on Concentrations in Commercial Real Estate; 71 Federal Register 2302; January 13, 2006

Dear Ms. Johnson:

I appreciate the opportunity to comment on the proposed interagency guidance entitled, "Concentrations in Commercial Real Estate, Sound Risk Management Practices," issued on January 13, 2006. I understand the need for sound commercial portfolios since they lead to sound institutions. However, I am concerned that the proposed guidance is extreme for community banks and will have an overall negative impact on my institution (Shore Bank), community banks across the country, and our local economies.

The proposed guidance will inhibit our ability to serve our local market, grow our bank, and develop our economy. Since many community banks currently would not meet the proposed capital levels, many lending markets would need to be cut out until reverted within guidelines. Upon reaching guideline levels, community banks would be very restricted in commercial real estate lending growth leading to a limit of commercial growth in our economy.

The definition of commercial real estate should be limited to non-owner occupied and non-consumer purpose real estate. I believe the guidance accurately includes non-owner occupied commercial properties however non-consumer purpose were included. Construction loans whereas the homeowner is building their future residence or second home assume consumer not commercial risk, and therefore should not be considered commercial real estate. The likelihood of default depends on the consumer's ability to repay. The same principle applies to lot loans for consumer purpose. Shore Bank's market is relatively rural but becoming more developed, and consists of a considerable amount of waterfront property. Many lots are sold and financed to baby boomers as future retirement sites. Again this type of loan contains consumer risk and should not be included in commercial real estate.

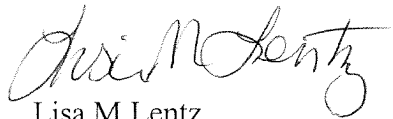
Historically banks have been encouraged to secure commercial loans with real estate to provide more security for the transaction. Under the new guidance, it discourages securing loans with real estate. My bank is considered conservative and does very little asset based or unsecured lending compared to commercial real estate lending. In order to continue to serve our commercial customers and economy, we would have to shift our portfolio away from commercial real estate into more risky collateral or none at all.

It appears the entire community banking industry is being punished for practices of just a few. This guidance should only be applied on a case by case basis to problem banks where their risk management practices and capital levels do not keep pace with their increasing concentrations.

In conclusion, I ask you to reconsider this guidance and the affect on community banks and their economies. A modification of this guidance to redefine commercial real estate to non-consumer purpose combined with applying the guidance to banks that are classified as problem banks would allow community banks to continue to survive and grow themselves and the communities they serve.

I appreciated your consideration of these concerns and comments.

Sincerely,

A handwritten signature in cursive script, reading "Lisa M. Lentz".

Lisa M Lentz
Vice President – Credit Administration
Shore Bank